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RE: Boston Edison Company/Cambridge Electric Light Company/Commonwealth  
Electric Company/NSTAR Gas Company d/b/a NSTAR, D.T.E. 99-84  
(Compliance Filings)

Dear Mr. Keegan:

On June 29, 2001, the Department of Telecommunications and Energy (ADepartment@) ordered Boston Edison Company (ABECo@), Cambridge Electric Light Company (ACambridge@), Commonwealth Electric Company (ACommonwealth@), and NSTAR Gas Company<sup>1</sup> (ANSTAR Gas@) (collectively ACompanies@) to file service quality (ASQ@) plans that comply with the guidelines established by the Department. Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84, at 40 (2001). On October 29, 2001, the Companies filed a single SQ plan for all of the Companies under the name of their parent company, NSTAR. On November 7, 2001, the Associated Industries of Massachusetts, the Attorney General, the Division of Energy Resources, The Energy Consortium, and Power Options, Inc. filed joint comments on all the SQ plans submitted by the gas and electric distribution companies, including the Companies.<sup>2</sup>

At the request of the Department, the Companies filed separate SQ plans for the individual companies on November 16, 2001. The Companies also filed a revised, single SQ

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<sup>1</sup> NSTAR Gas Company previously operated under the name Commonwealth Gas Company.

<sup>2</sup> Among other things, the commenters argued that the Companies= service performance should be measured and treated separately.

plan for all four companies. These revisions incorporated directives in our recent Order on Motion for Clarification, D.T.E. 99-84-B, as well as enhanced consistency in the SQ plans among all the electric distribution companies (i.e., all Chapter 164 electric companies, not just NSTAR).

In the November 16<sup>th</sup> Letter at 2, the Companies argue in favor of the single plan approach. The Companies state that the adoption of a single system-wide service quality plan that applies uniformly to . . . aspects of NSTAR's operations is an important step in its efforts to integrate the merger companies.® The Companies claim they have devoted significant resources to its efforts to integrate the operations of the utility comprising its system and to engender a >one company= focus among employees® (id.).

The Department recognizes the importance of the Companies' goal of corporate cohesion. Nonetheless, BECo, Cambridge, Commonwealth, and NSTAR Gas remain separate companies and are regulated separately by the Department. BEC Energy/ComEnergy Acquisition, D.T.E. 99-19, at 108 (2000). Therefore, the Department declines to review individual company compliance with performance standards and to calculate revenue penalties based on a single SQ plan. In addition, the Department determines that the implementation of our SQ effort is best accomplished with a clear focus on each individual company's level of performance. In this way, the Department is in a position to gain the necessary regulatory insight into each company's performance on each SQ standard.

The Department, however, distinguishes between regulatory requirements and managerial objectives. The Department is mindful of NSTAR's managerial goals and related judgments concerning integration of its four companies and their workforce. Such judgments reside with management and no intrusion on the proper sphere of management is contemplated by the Department. This view is consistent with general utility law. Holyoke Street Railway v. Department of Public Utilities, 347 Mass. 440, 446 (1964); New England Telephone & Telegraph Company v. Department of Public Utilities, 262 Mass. 137, 146-151 (1928). Accordingly, if managerial objectives make it appropriate for NSTAR to produce a single SQ plan for distribution to employees, NSTAR may do so and file with us such an umbrella plan for informational purposes. Such a filing would supplement the approved individual compliance filings that the Department will use to measure the quality of electric service provided by BECo, Cambridge, and Commonwealth and gas service by NSTAR Gas.

In keeping with the individual compliance approach set forth in this Order, the Department reiterates that penalty offsets and credits may not be carried forward by the individual companies from the year for which they are calculated to a later performance year; nor may credits be transferred from one company to another in any year. Each company will be judged on its own performance for each performance year.

The Department has reviewed the SQ plans for BECo, Cambridge, and Commonwealth.<sup>3</sup> We conclude that the SQ plans incorporate the Guidelines and the directives in D.T.E. 99-84-B as well as maintain consistency among all the electric distribution companies' SQ plans.

In Investigation into the Quality of Electric Service, D.T.E. 01-71, the Department is reviewing application of SQ plans filed pursuant to D.T.E. 99-84. At the conclusion of that proceeding, the Department may determine that modification of SQ plans is appropriate. Therefore, the Department approves the Companies' compliance filings for BECo, Cambridge, and Commonwealth, subject to modification (D.T.E. 01-71A Town of Brookline public hearing, Tr. at 57, ln. 7-13 (Nov. 26, 2001)).

By Order of the Department,

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James Connelly, Chairman

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

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Deirdre K. Manning, Commissioner

cc: D.T.E. 99-84 Service List

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<sup>3</sup> The Department will review the SQ plan for NSTAR Gas separately.